

Translating Interest into Action: Insights from the Retail Impact Investor

This report outlines the results of Calvert Impact Capital's 2018 Investor Survey, which is focused on understanding the motivations and challenges of our investor base and how we can serve them better. While this survey is designed to inform internal strategy, we believe the learnings are relevant to the sustainable, responsible, and impact investing industry more broadly.

The need for more investment to protect the planet and increase prosperity is clear. The United Nations estimates that achieving the [Sustainable Development Goals](#) will require closing an annual investment gap of **\$2.5 trillion**. While this number can be intimidating, the good news is that interest in impact investing—investments aimed to create positive social or environmental impact as well as financial return—is growing rapidly amongst a diverse range of investors. Individual investors increasingly believe they can make a positive social and environmental impact with their portfolios and are demanding opportunities to do so.

As excitement continues to build and an industry that was once an outlier moves towards the mainstream, we are focused on translating this interest into action. A key part of this translation is listening to investors, to ensure that impact investment products and reporting are designed to meet their needs.

We have worked with more than 20,000 investors since we launched the Community Investment Note in 1995, and through our bi-annual survey, we seek to understand the investors and advisors we work with more deeply. They are a diverse group investing through different channels, in different amounts. They range from new investors with limited portfolios who are dipping a toe into impact investing for the first time to accredited investors employing sophisticated impact strategies to manage substantial assets. They have different opportunities available to them as investors, and as a result, different approaches to both our Note and impact investing more broadly.

What are the motivations of these investors and advisors, what are challenges they face, and how can we continue to serve them?

Our 2018 survey asked these questions of almost 800 of our stakeholders and for the first time, we expanded the scope of the survey to gather insights from the broader impact investing community. This report outlines what we learned from investors and captures their message to the impact investing industry, so we can all move more money, from more people, for more impact.

The Community Investment Note at a Glance

The Investor Survey is conducted every two years to gather feedback about our work and the Community Investment Note, our flagship product.

- **Fixed income product available to US investors in terms ranging from 1–15 years and rates 1.5–4.0%**
- **Available widely via our online platform (min. \$20) or a brokerage account (min. \$1,000)**
- **Proceeds are lent to organizations and funds creating measurable impact around the world**
- **Open issuance (investors can purchase at any time)**
- **100% repayment of principal and interest since inception (1995)***

*Past performance is not indicative of future results.

Who took the survey?

- 54% are current or former investors in the Community Investment Note
- 30% have investment portfolios of less than \$100K
- 20% have investment portfolios of \$1MM–\$5MM
- 54% identify as women
- Age of respondents is fairly evenly distributed from 25–65+

What did they say?

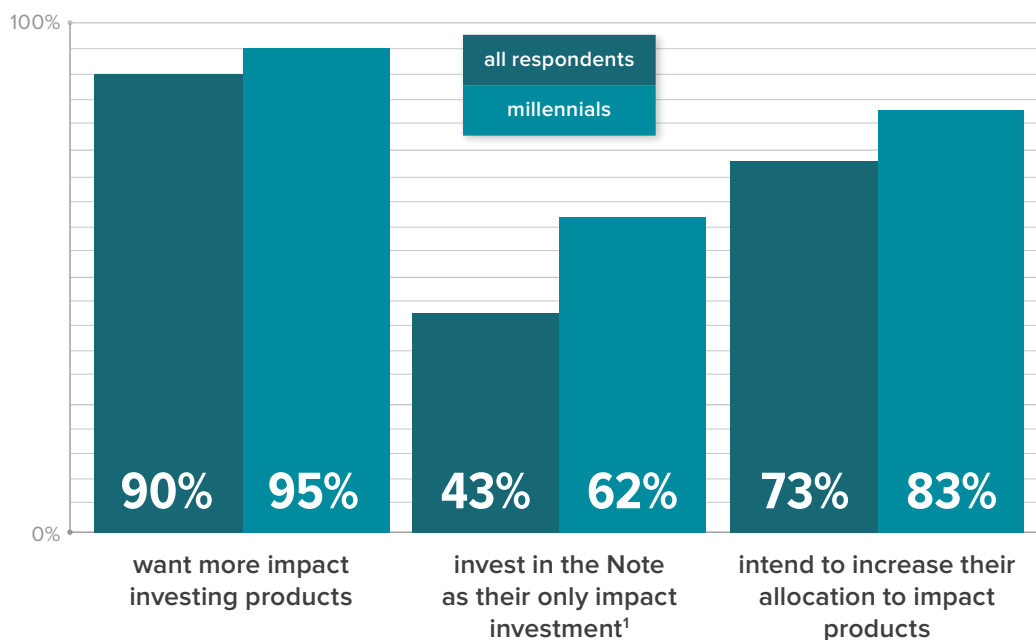
- Interest in impact investing is high, and investors want to see more product options and increase the amount they invest for impact;
- Investors are motivated to invest for impact—particularly in the environmental sustainability and renewable energy sectors—and want rigorous reporting on the impact created;
- Despite this stated interest, total portfolio allocation to impact is low;
- The majority use a financial advisor or traditional online brokerage firm to manage their money, which has implications for access to impact products.

Here are the four takeaways from our survey respondents, and the levers we've identified to get more money moving for impact.

1

INTEREST IN IMPACT IS HIGH

...and investors demand MORE impact investing options



¹ Impact and cause-based investments were defined in the survey as any investments aimed to create a positive social or environmental impact, including sustainable investments, impact investments, and socially responsible investments (SRI).

2

INVESTORS ARE LOOKING FOR...



✔ Impact

Investors are motivated to invest for impact:

92% stated they invest to make a positive social impact

72% said they invest to support a cause or issue they are passionate about

Millennials were even higher—
88% invest to support a cause or issue they are passionate about



✔ Rigorous Reporting

Respondents are becoming increasingly interested in impact reporting:²

59% want to know about the organizations we lend to
20% increase from 2016 survey

57% want to see statistics about the impact of the portfolio
63% increase from 2016 survey

36% want to see our overall portfolio figures



✔ Climate Change Solutions

Respondents want investment options that are good for the planet:³

56% rated Environmental Sustainability as a top issue
almost double the next highest 'Issue of Interest'

30% rated Renewable Energy as a top issue

26% rated Sustainable Agriculture as a top issue

"I am particularly interested in investments to counter climate change, including carbon capture technologies as well as emissions reducing projects." –Survey Respondent

"[I'd like to] have a deeper conversation about impact investment strategy." –Survey Respondent

² Refers to the percentage of respondents who said each of these items was "critical" or "very important" to learn about.

³ Percentage that selected each issue area as one of the top three most important issues for them. Respondents were limited to choosing up to three options from the following list: environmental sustainability, renewable energy, sustainable agriculture, education, community development, affordable housing, microfinance, gender equity, health, local investing (my town or community), small businesses, faith, aging, my heritage (country or region of origin).

3

INTEREST DOES NOT TRANSLATE TO ACTION YET

Most respondents currently only allocate less than

5%

of their total household investment portfolio to cause-based or impact investing options

Of those who are actively allocating capital to impact:

47% of investors said the Note was their first impact investment (**59%** of millennials)

57% had other cause-based investments, with approx. 70% of those in ESG-screened public funds

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WHY?

Information, Availability, and Access is Key



Investors need practical sources of information.

The majority (**58%**) rely on online financial media (**Financial Times, Bloomberg, The Economist, MSNBC**), but mainstream media is still learning about impact investing and isn't well positioned to give practical guidance yet.



Availability of products varies.

Accredited investors have more options than non-accredited investors. Many impact investing options are limited to or designed for high net worth, family office, or institutional clients.



Where investors manage their money has implications for access to impact investing options.

46% rely on traditional online brokerages. Most traditional online brokerages have limited sustainable, responsible, and impact investment offerings. If there are products available, they are limited to positive or negative screened funds of publicly traded companies.

42% rely on financial advisors. Only 31% of advisors say responsible investing is an important part of their practice.⁴

⁴ According to Eaton Vance's Advisor Top-of-Mind Index (ATOMIX) Survey Q2 2018, a quarterly survey of over 1,000 financial advisors.

CALL TO ACTION

Let's get more money moving for impact.

Given the growing interest in impact investing, why is so little allocated? Our report echoes familiar findings from across the industry, but while the message from investors has been similar, the solutions are varied and complex. To put it in simplest terms, solutions depend on what kind of capital investors have, how much they have, and where their capital is managed. Developing practical solutions for retail investors will require new levels of proficiency and understanding from the impact investing industry.

So where to start? We offer some ideas of where to begin for three main actors below:

1. Individual investors need to understand their potential

Impact investing is new and exciting, and because of that it's also challenging. It requires time and effort to sort through the noise and understand your realistic options as an individual investor.

- Here's a story from our VP, Syndications and Strategy, Beth Bafford on the process of aligning your portfolio for impact: [Money talks. And it is screaming for social change.](#)
- There are also industry-specific resources that can help you make sense of the impact investing universe. A few places to start: [GIIN](#), [US SIF](#), and [Calvert Impact Capital Insights](#).

2. Financial advisors need greater education and engagement

Impact investing is a great way for advisors to engage current and potential clients and advisors are eager to learn more. The impact community has a prime opportunity to meet this need.

- Our Investor Relations team works closely with a range of advisors. [Here is how advisors can incorporate impact investing into their practice.](#) Find more [advisor resources on our website](#).
- [US SIF](#) and the [SRI Conference](#) also provide high quality training and deep networks for advisors interested in learning more about impact investing. There is also a new designation for interested advisors, the [Chartered SRI Counselor \(CSRIC\)](#), offered by the College for Financial Planning.

3. Impact investing industry has to create:

More available product options that have demonstrable impact across asset classes so we can see greater portfolio activation.

- Check out our CEO Jenn Pryce's guidance on [the importance of understanding your addressable market and what's required to activate it](#).

Broader marketing and easier access for existing retail products that are not reaching those who are interested.

- Many of the comments we received encouraged more widespread distribution of our Community Investment Note. As the impact investing industry grows, we need to focus on marketing and distribution to reach a broader community of retail investors.
- Looking for a list of impact investing options? A few resources to check out: [US SIF's Getting Started in Sustainable and Impact Investing \(PDF\)](#), [ImpactAssets IA 50](#), and [this guide from CNBC](#).

METHODOLOGY

This report is the result of Calvert Impact Capital's 2018 Investor Survey, which our staff conducts every two years to gather investor feedback about our work and our Community Investment Note.

In 2018, we broadened the survey to gather insights from the broader impact investing community in addition to our investor community. We aligned the survey with our [impact measurement framework](#) and expanded it to include questions about investor motivations, communications preferences, thoughts on the impact investing industry, and broader investment portfolio decisions. We wanted the results of this survey to not just help us in our work, but provide feedback that the entire impact investing industry can utilize.

The analysis and report is the result of responses from 775 respondents, including our investors and the broader impact investing community. The survey was open online for a period of three weeks in March 2018. Unless otherwise specified, results indicate the responses from all of the respondents who responded to the particular question, whether they are active investors or not. Results that refer specifically to investors refer to respondents who indicated that they are a current or previous investor in the Community Investment Note. Millennial respondents identified as ages 18-34 in the survey. All quotes are directly from the survey respondents and are anonymous.

About Calvert Impact Capital

Calvert Impact Capital (formerly Calvert Foundation) invests to create a more equitable and sustainable world. Through our products and services, we raise capital from individual and institutional investors to finance intermediaries and funds that are investing in organizations and funds serving communities left out of traditional capital markets. We raise retail and institutional capital through our fixed-income product, the Community Investment Note, as well as institutional capital through our Syndication services. During our 23-year history, we have mobilized nearly \$2 billion of investor capital. All of our investor dollars are channeled to create measurable social and environmental impact across nine sectors in communities in the U.S. and around the world.

For additional information or comments on the report, contact us at impact@calvertimpactcapital.org or visit our Insights page at calvertimpactcapital.org/insights.



7315 Wisconsin Avenue
Suite 1000W
Bethesda, MD 20814
Phone: 800.248.0337
calvertimpactcapital.org

 [@calvertimpcap](#)

 [linkedin.com/company/calvert-impact-capital](https://www.linkedin.com/company/calvert-impact-capital)

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